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A Cross-State Comparison of Corporate Income Tax Structures

The following table compares the basic structure of Georgia's corporate income tax with 11 other states. (The comparison states are Georgia's border states plus six other states chosen to be similar to Georgia and to reflect each region of the country.)

47 states including the District of Columbia impose a corporate income tax. Four states, Nevada, South Dakota, Washington, and Wyoming do not impose a corporate income tax, though Washington does levy a Business and Occupation tax. The base of taxation is almost always Federal Taxable Income adjusted by state specific deductions and additions. Some common additions to Federal Taxable Income made at the state level include the value of special depreciation allowed at the federal level but not at the state level, interest income received from bonds of other states and localities, and federal net operating losses. Common deductions from Federal Taxable Income include state defined net operating losses, some percentage of dividends received from other corporations, and interest earned on Federal debt instruments. The Georgia corporate tax rate is lower than most states but not the lowest nationally. The corporate income system in Georgia taxes the first dollar of corporate income, which is common in many states.

State	Tax Rate	Formula Apportionment	Adopted Federal Bonus Depreciation Deduction*	Adopted Federal Qualified Product Activities Deduction	Allows Consolidated Returns
Alabama	6.5%	3 Factor - ew	Y/Y	Y	Taxpayer can elect
Colorado	4.63%	3 Factor or optional 2 Factor (sales and property)	Y/Y	Y	Taxpayer can elect
Florida	5.5%	3 Factor – double weight on sales	Y/Y	Y	State can grant permission
Georgia	6%	3 Factor (80% on sales, 20% on payroll, 20% of property)	N/N	N	State can grant permission
Illinois	7.3%	100% Sales	N/N	Y	Not allowed
Massachusetts	9.5%	3 Factor-ew	Y/N	N	State can require
Missouri	6.25%	3 Factor - ew	N/N	Y	Taxpayer can elect
North Carolina	6.9%	3 Factor – double weight on sales	Y/N	N	State can require
South Carolina	5%	3 Factor – double weight on sales	N/	N	Taxpayer may elect
Tennessee	6.5%	3 Factor – double weight on sales	N/N	N	State can require
Virginia	6%	3 Factor – double weight on sales	N/N	Y	Taxpayer may elect
Washington	-----------	----------	----	--	--------

Notes: 3 Factor – ew: 3 factor formula (payroll, property, and sales) with equal weights; N: No, Y:Yes
*The first response indicates whether the state adopted the 30% Federal bonus depreciation treatment adopted in 2002. The second response indicates whether the state adopted the change from 30% to 50% adopted in 2003.

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